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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER- Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

In the Matter of the Application of Arizona  
American Water Company for Approvals  
Associated with a Transaction with the  
Maricopa County Municipal Water  
Conservation District Number One

DOCKET NO. W-01303A-05-0718

NOTICE OF FILING

Trend Homes, Inc., an Arizona corporation ("Trend") hereby provides notice of filing the  
Direct Testimony of David Prescott in the above referenced matter.

RESPECTFULLY SUBMITTED this 22<sup>nd</sup> day of January, 2007.

Arizona Corporation Commission

DOCKETED

JAN 22 2007

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By:

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Trend Homes, Inc.

Direct Testimony of David Prescott

COPY of the foregoing hand-delivered  
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Direct Testimony of David Prescott

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13 Conservation District Number One

**DOCKET NO. W-01303A-05-0718**

14  
15 **DIRECT TESTIMONY OF**  
16 **DAVID PRESCOTT**  
17 **ON BEHALF OF**  
18 **TREND HOMES, INC.**  
19 **JANUARY 22, 2007**  
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**DIRECT TESTIMONY OF  
DAVID PRESCOTT  
ON BEHALF OF TREND HOMES, INC.  
JANUARY 22, 2007**

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**EXECUTIVE SUMMARY**

David Prescott testifies that:

Pursuant to the Water Facilities Line Extension Agreement between Stardust Development, Inc. and Arizona American Water Company, Trend has made approximately \$227,000.00 in payments to Arizona American Water Company ("Arizona American") for both Central Arizona Project ("CAP") Hook Up Fees and Water Facilities Hook Up Fees ("WFHUFs"). In exchange for the payments of the hook up fees, Trend anticipates receiving the necessary water service for the Cortessa development within Arizona American Water Company's Agua Fria Water District.

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**  
3 **NUMBER.**

4 A: My name is David Prescott, and my business address is Trend Homes, 890 West Elliot  
5 Road, Gilbert, Arizona. My telephone number is (480) 782-7323.

6 **Q: HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET?**

7 A: No.

8 **Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A: I have been employed since 2005 by Siena Development, LLC, an affiliated company of  
10 Trend Homes, Inc. and, at present, by Trend Homes, Inc. (collectively, "Trend") as Vice  
11 President of Forward Planning. As part of my responsibilities, I am involved in land  
12 acquisition, development, and project agreements for services.

13 **Q: WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF FORWARD**  
14 **PLANNING FOR TREND?**

15 A: As Vice President of Forward Planning for Trend, I am responsible for the following:

- 16
- 17 (1) Tracking and conducting due diligence related to potential real estate projects
- 18 offered for acquisition;
- 19
- 20 (2) Tracking competitors' housing projects and products to gauge market comparisons
- 21 to Trend projects and products;
- 22
- 23 (3) Preparing, managing, and directing the land entitlements process, including
- 24 general planning, zoning, site plan and preliminary plat;
- 25
- 26

1 (4) Managing Trend's Architecture Division to ensure that the design review, house  
2 permits, model home complexes, sales trailers, and sales offices are prepared and  
3 submitted to the applicable municipalities;

4 (5) Managing Trend's Architecture Division to ensure that sales facilities have  
5 access, parking, and temporary necessary utilities; and  
6

7 (6) Managing forward communications to mitigate issues and ensure consistency  
8 between the development and production phases.

9 **Q: BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND?**

10 A: I earned a Bachelor's Degree in Industrial Education from Indiana State University and a  
11 Master's Degree in Geography from Arizona State University.

12 **Q: HAVE YOU TESTIFIED BEFORE ANY STATE UTILITY REGULATORY**  
13 **AGENCIES?**

14 A: Yes, a preliminary hearing with the Arizona Corporation Commission for Certificate of  
15 Needs and Necessity for Global Water Resources.  
16

17 **Q: WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

18 A. I testify that:

- 19 • Trend has previously paid approximately Two Hundred Twenty Seven Thousand Dollars  
20 (\$227,000) to Arizona American for WFHUFs and CAP Hook Up Fees for water service  
21 necessary for Trend's development at Cortessa which is located within Arizona  
22 American's Agua Fria Water District.  
23  
24 • Trend made these payments under that certain Water Facilities Line Extension Agreement  
25 ("Water Agreement") between Arizona American and Stardust Development, Inc.  
26



1 ("Stardust") and that certain Joint Development Agreement and Escrow Instructions  
2 ("JDA") between Stardust and Trend, among other parties. The Water Agreement and  
3 JDA are attached hereto as Exhibit A and Exhibit B, respectively.

4 **Q: PLEASE SUMMARIZE YOUR TESTIMONY.**

5 A: Pursuant to the Water Agreement between Stardust Development, Inc. and Arizona  
6 American Water Company, Trend has made approximately \$227,000.00 in payments to  
7 Arizona American for both CAP Hook Up Fees and WFHUFs. In exchange for the  
8 payments of the hook up fees, Trend anticipates receiving the necessary water service for  
9 the Cortessa development within Arizona American's Water Company's Agua Fria Water  
10 District.  
11

12 **II. COURSE OF DEALINGS**

13 **Q: DOES TREND HAVE ANY DEVELOPMENTS IN CONSTRUCTION WITHIN**  
14 **ARIZONA AMERICAN'S AGUA FRIA WATER DISTRICT?**

15 A: Currently, Trend is in the process of building homes on lots in the Cortessa development.  
16 This project is located within Arizona American's Agua Fria Water District.  
17

18 **Q: PLEASE DESCRIBE THE CURRENT STAGE OF DEVELOPMENT FOR THE**  
19 **CORTESSA DEVELOPMENT?**

20 A: The Cortessa development is fully developed with approximately 1,700 finished lots,  
21 approximately 20% of which have new homes constructed upon them and 345 lots of  
22 which are prepared for the construction of new homes.  
23

24 **Q: DURING THE COURSE OF DEVELOPMENT, HAVE YOU HAD FIRST HAND**  
25 **EXPERIENCE WITH THE WATER AGREEMENT?**

26 A: Yes. I am aware of the provisions and requirements contained in the Water Agreement.

**III. PREVIOUS PAYMENTS MADE AND PLANS FOR DEVELOPMENT**

**Q: HAS TREND MADE ANY PAYMENTS FOR WFHUFs FOR THE CORTESSA DEVELOPMENT?**

**A:** Yes. Trend made payments in the amount of \$58,650.00 to Arizona American on or about March 13, 2006 for the meters to be installed in Parcel 7 of the Cortessa development. Trend also made payments to Arizona American in the amount of \$64,975.00 on or about March 13, 2006 for the meters to be installed in Parcel 8 of the Cortessa development. Additionally, Trend made payments to Arizona American in the amount of \$80,500.00 on or about March 13, 2006 for the meters to be installed in Parcel 11 of the Cortessa development.

**Q: OF THE TOTAL METERS REQUESTED BY TREND OR ANTICIPATED TO BE REQUESTED BY TREND FOR THE ENTIRE CORTESSA DEVELOPMENT, HOW MANY ARE 5/8" METERS?**

**A:** None.

**Q: OF THE TOTAL METERS REQUESTED BY TREND OR ANTICIPATED TO BE REQUESTED BY TREND FOR THE ENTIRE CORTESSA DEVELOPMENT, HOW MANY ARE 3/4" METERS?**

**A:** Trend anticipates requesting 345 meters, approximately one-half (173) of which will be 3/4" meters.

**Q: OF THE TOTAL 3/4" METERS NECESSARY FOR THE CORTESSA DEVELOPMENT, HOW MANY HAVE YET TO BE REQUESTED BY TREND?**

**A:** Approximately 138.

1 **Q: OF THE TOTAL METERS REQUESTED BY TREND OR ANTICIPATED TO BE**  
2 **REQUESTED BY TREND FOR THE ENTIRE CORTESSA DEVELOPMENT,**  
3 **HOW MANY ARE 1" METERS?**

4 A: Trend anticipates requesting 345 meters, approximately one-half (173) of which will be 1"  
5 meters.

6 **Q: OF THE TOTAL 1" METERS NECESSARY FOR THE CORTESSA**  
7 **DEVELOPMENT, HOW MANY HAVE YET TO BE REQUESTED BY TREND?**

8 A: Approximately 137.

9 **Q: WHAT PERCENTAGE OF THE TOTAL WFHUFs NECESSARY FOR**  
10 **CORTESSA HAVE BEEN PRE-PAID BY TREND?**

11 A: Trend has pre-paid 100% of the total WPHUFs necessary for the Cortessa development.

12 **Q: HAS TREND MADE ANY PAYMENTS FOR CAP HOOK UP FEES FOR THE**  
13 **CORTESSA DEVELOPMENT?**

14 A: Yes. Trend made payments in the amount of \$5,654.00 to Arizona American on or about  
15 March 13, 2006 for the CAP Hook Up Fees assessed in Parcel 7 of the Cortessa  
16 development. Trend also made payments to Arizona American in the amount of  
17 \$7,967.00 on or about March 13, 2006 for the CAP Hook Up Fees assessed in Parcel 8 of  
18 the Cortessa development. Additionally, Trend made payments to Arizona American in  
19 the amount of \$9,252.00 on or about March 13, 2006 for the CAP Hook Up Fees assessed  
20 in Parcel 11 of the Cortessa development.  
21  
22  
23

24 **Q: WHAT PERCENTAGE OF THE TOTAL CAP HOOK UP FEES NECESSARY**  
25 **FOR CORTESSA HAVE BEEN PRE-PAID BY TREND?**  
26

1 A: Trend has pre-paid 100% of the total CAP hook up fees necessary for the Cortessa  
2 development.

3 **Q: WHAT DOES TREND ANTICIPATE TO RECEIVE IN RETURN FOR PRE-**  
4 **PAYING THOSE CERTAIN WFHUFs AND CAP HOOK UP FEES?**

5 A: We expect to receive water meters to each house and water service to each house we build  
6 in the Cortessa development as each house is completed in Trend's normal course of  
7 construction.

8 **Q: WHAT TYPE OF WATER SERVICE DO YOU NEED FOR THE CORTESSA**  
9 **DEVELOPMENT?**

10 A: Trend requires domestic water meters and domestic water service for each house  
11 completed and to be constructed in the Cortessa development.

12 **Q: WHEN DO YOU ANTICIPATE NEEDING CONTINUOUS WATER SUPPLY**  
13 **FOR THE CORTESSA DEVELOPMENT?**

14 A: We currently need continuous water supply for the construction of homes in the Cortessa  
15 development. Additionally, Trend's need for such continuous water supply will continue  
16 until the construction of homes is completed, which is anticipated to be in two (2) years.

17 **Q: IF WATER SERVICE IS NOT RECEIVED WITHIN THE ANTICIPATED**  
18 **TIMEFRAME, WHAT ARE THE POSSIBLE OUTCOMES?**

19 A: Trend will not be able to continue selling or building homes in the Cortessa development  
20 if the water meter and domestic water service is not provided.

21 **IV. FUTURE DEVELOPMENT WITHIN THE AGUA FRIA DISTRICT**

22 **Q: DOES TREND HAVE ANY FURTHER DEVELOPMENT(S) PLANNED WITHIN**  
23 **THE AGUA FRIA DISTRICT?**

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A: Trend is currently building new homes on finished lots and may enter into an agreement(s) to purchase additional finished lots in the Surprise Farms development.

**Q: WHAT IS THE AMOUNT BUDGETED BY TREND FOR THE REMAINING WFHUFs AND CAP HOOK UP FEES FOR THE CORTESSA DEVELOPMENT WHICH HAVE NOT BEEN PRE-PAID BY TREND?**

A: None as all budgeted amounts have been expended.

**Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

A: Yes.

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